

CASS COUNTY TRANSPORTATION AUTHORITY

FINANCIAL STATEMENTS

September 30, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name <b>CASS CO. TRANSPORTATION AUTHORITY</b>	County <b>CASS</b>
Audit Date <b>9/30/05</b>	Opinion Date <b>11/30/05</b>	Date Accountant Report Submitted to State: <b>December 23, 2005</b>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

RECEIVED  
DEPT. OF TREASURY

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

DEC 27 2005

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, comments and recommendations.

LOCAL AUDIT & FINANCE DIV.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>GERBEL &amp; COMPANY, P.C. CPA'S</b>			
Street Address <b>830 PLEASANT STREET, PO BOX 44</b>	City <b>ST. JOSEPH</b>	State <b>MI</b>	ZIP <b>49085</b>
Accountant Signature <i>Robert S. Gerbel CPA</i>			Date <b>12/23/05</b>

CASS COUNTY TRANSPORTATION AUTHORITY

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**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Management's Discussion & Analysis**

**Description of Basic Financial Statements**

The Cass County Transportation Authority (the "Authority") is a public transportation authority located in Cass County, Michigan. The Authority uses the accrual basis of accounting. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be a discussion and analysis of the financial results for the fiscal year ending September 30, 2005. The Authority's basic financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and statement of cash flows. The basic financial statements also include notes that explain the information recorded in the basic financial statements.

**Financial Highlights**

The Authority's total expenses were \$546,835, while total revenues were \$432,398 (\$193,270 operating revenue; \$270,634 non-operating revenues; -\$31,506 adjustments). The Authority's total revenues were not sufficient to cover expenses for the year. The difference was made up from the fund balance from prior years.

The Authority's total net assets at September 30, 2005 were \$606,077 of which \$252,941 was invested in fixed assets (land, buildings, buses, shop equipment and office equipment).

The Authority received \$210,888 in state operating assistance. This exceeded the 38.438% of eligible expenses by \$31,190. This has been recorded as a current year payable. The Authority received \$41,529 in Section 5311 federal operating assistance. This was below the eligible 12.4% by \$16,020.

**Condensed Financial Information**

The following condensed financial information provides an overview of the Authority's financial position for the fiscal years ending September 30, 2005 and September 30, 2004.

	<u>2005</u>	<u>2004</u>
Assets:		
Fixed assets	\$252,941	\$319,653
Other assets	<u>416,396</u>	<u>474,607</u>
Total assets	<u>\$669,337</u>	<u>\$794,260</u>
Liabilities:		
Current liabilities	<u>\$ 63,260</u>	<u>\$ 73,746</u>
Total liabilities	<u>\$ 63,260</u>	<u>\$ 73,746</u>
Net Assets:		
Invested in fixed assets, net of related debt	\$252,941	\$319,653
Unrestricted net assets	<u>353,136</u>	<u>400,861</u>
Total net assets	<u>\$606,077</u>	<u>\$720,514</u>
Total liabilities & net assets	<u>\$669,337</u>	<u>\$794,260</u>

- (a) *Net Assets* - Net assets, the difference between assets and liabilities.  
 (b) *Fixed Assets* - Fixed assets are made up of property, buildings, equipment and buses.  
 (c) *Other Assets* - Other assets consist of cash, investments, receivables and prepaid expenses.  
 (d) *Liabilities* - Liabilities consist of accounts payable or bills that the Authority owes payment on. Also included are payments due to the State of Michigan for overpayments of state operating assistance.

### **Changes in Net Assets**

The 2005 fiscal year represents the Authority's seventeenth year in running the County transit program. The table below summarizes the Authority's operations for the fiscal year.

	<b><u>2005</u></b>	<b><u>2004</u></b>
Revenues:		
Operating revenue:		
Fares	\$ 191,373	\$ 177,121
Reimbursed Expenses	1,897	-
Total operating revenues	<u>\$ 193,270</u>	<u>\$ 177,121</u>
Nonoperating revenues:		
State grants	\$ 213,529	\$ 248,158
Federal grants	49,649	75,814
Interest earned	7,456	5,490
Total nonoperating revenues	<u>270,634</u>	<u>329,462</u>
<b>Total Revenues</b>	<b><u>\$ 463,904</u></b>	<b><u>\$ 506,583</u></b>
Expenses:		
Purchased transportation	\$ 394,370	\$ 433,843
Repairs and maintenance	360	300
Services	19,451	18,920
Office supplies	16	21
Insurance	51,799	29,764
Other	3,976	4,061
Depreciation	76,863	116,238
<b>Total Expenses</b>	<b><u>\$ 546,835</u></b>	<b><u>\$ 603,147</u></b>
Net loss before adjustments	\$ (82,931)	\$ (96,564)
Total Adjustments	<u>(31,506)</u>	<u>(29,319)</u>
<b>Net Loss for the year</b>	<b>\$ (114,437)</b>	<b>\$ (125,883)</b>
Net assets - Beginning of the year	<u>720,514</u>	<u>846,397</u>
<b>Total net assets - End of the year</b>	<b><u>\$ 606,077</u></b>	<b><u>\$ 720,514</u></b>

## Summary of Operations

### 1. Budget:

#### Expenditures

	<u>MDOT</u> <u>Eligible Operating</u>	<u>Audit</u>	<u>Difference</u> <u>Audit vs. Budget</u>
2004-2005	\$ 548,650	\$ 467,507	\$ 81,143

#### Revenues

	<u>MDOT</u> <u>Approved</u>	<u>Audit</u>	<u>Difference</u> <u>Audit vs. Budget</u>
2004-2005	\$ 548,650	\$ 420,350	(\$ 128,300)

The Authority did not amend the MDOT approved budget during the year.

### 2. General Report on FY 2005 Operations:

Operation of the Cass County Transportation Authority remained unchanged throughout FY 2005. The Authority's seven member Board met on a monthly basis to set program policy and direction, approve expenditures and monitor activities. The Board contracted with Transportation Management, Inc. (TMI) to provide day-to-day operational services. The Board also continued to contract for administrative oversight services. The County Treasurer provides financial services and the County Clerk takes minutes for the Board's meetings.

Funding composition for the transit service consists of State, Federal and local dollars. While Federal funding has remained fairly consistent, the State formula operating assistance from MDOT continued to decline. It dropped from 42.237% for FY 2004 to 38.438% for FY 2005. State funding is targeted at 39.25 % for FY 2006. With the new Federal transportation package that was passed in August 2005 Federal revenue is targeted at 15% for FY 2006. This will provide approximately a 4% increase in State and Federal funding for FY 2006. In addition, the Authority has adopted a 5 year plan to increase their fare structure. This is needed to bring the budget back into balance over the next few years.

Total ridership was down significantly. It dropped by 8290 passengers from 42,897 to 34,607. This continuing downward trend in ridership is reflective of the poor economic conditions in southwestern Michigan. Since much of the service is provided to human service agencies, the reductions they have received in State and Federal revenues limits them on the amount of transportation services they can contract for. This is also having a significant impact on raising the local share.

Both operating expenses and revenues were lower in FY 2005. The drop in expenses was due to operating fewer vehicle hours. Fewer passengers and the reduction in State operating impacted the revenue. Vehicle hours operated decreased by 1,884 hours and vehicle miles decreased by 56,554 miles. The total cost per vehicle hour of service increased 9.0% to \$40.11/hour.

Although the Authority is currently in a financially solid position, they have decided to raise fares and decrease vehicle hours to bring the budget back into balance. This will take a few years to accomplish but must be done to preserve a reasonable amount of their retained earnings for unforeseen expenses.

**CASS COUNTY TRANSPORTATION AUTHORITY**

**BOARD MEMBERS**

DR. FRED MATHEWS	CHAIRPERSON
THOMAS MCCAUSLIN	VICE CHAIRPERSON
JAMES SAYER	SECRETARY/TREASURER
JOHN MILLER	MEMBER
DONALD LYONS	MEMBER
CATHY GOODENOUGH	MEMBER
LILA CONRAD	MEMBER
LINDA IRWIN	CASS COUNTY TREASURER AS TREASURER EX-OFFICIO
ANN SIMMONS	CASS COUNTY CLERK AS CLERK EX-OFFICIO

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

November 30, 2005

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Cass County Transportation Authority  
Cassopolis, Michigan

Dear Board Members:

We have audited the financial statements of the Cass County Transportation Authority, as of and for the year ended September 30, 2005, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cass County Transportation Authority as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cass County Transportation Authority's financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements with the exception of the Schedule of Mileage on page 14. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The Schedule of Mileage on page 14 has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

*Gerbel & Company, P.C.*

**Right. On time.**

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**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Net Assets**  
**September 30, 2005**

**Assets**

Current Assets

Cash	\$ 37,059
Investments	358,733
Fares receivable	14,415
Prepaid insurance	<u>6,189</u>

Total Current Assets \$ 416,396

Noncurrent Assets

Land	\$ 7,524
Building	357,303
Buses	800,554
Shop equipment	28,946
Office equipment	<u>35,016</u>

\$ 1,229,343

Less: Accumulated depreciation 976,402

Total Noncurrent Assets \$ 252,941

TOTAL ASSETS \$ 669,337

**Liabilities and Net Assets**

Current Liabilities

Accounts payable	\$ 32,070
Due State - current year's operating assistance payable	<u>31,190</u>

Total Current Liabilities \$ 63,260

Net Assets

Invested in capital assets, net of related debt	\$ 252,941
Unrestricted net assets	<u>353,136</u>

Total Net Assets \$ 606,077

TOTAL LIABILITIES AND NET ASSETS \$ 669,337

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Assets**  
**For the Year Ended September 30, 2005**

Operating Revenue	
Fares	\$ 191,373
Reimbursed expenses	<u>1,897</u>
Total Operating Revenue	193,270
Operating Expenses	<u>(546,835)</u>
Net Operating Loss	\$ <u>(353,565)</u>
Nonoperating Revenues	
Local:	
Interest earned	\$ <u>7,456</u>
State:	
State of Michigan Grants - new services received	\$ 210,888
State of Michigan Grants - Federal Section 5311 received - current year	41,529
State of Michigan Grants - Federal capital contributions	8,120
State of Michigan Grants - State capital contributions	2,031
State of Michigan Grants - reimbursement for seminars, training and expenses	<u>610</u>
Total State Nonoperating Revenue	\$ <u>263,178</u>
Total Nonoperating Revenues	\$ <u>270,634</u>
Net loss before adjustments	\$ (82,931)
Add (deduct):	
State of Michigan Grants - Federal Section 5311 received - prior years	4,283
State of Michigan Grants: Receipt (payment) of prior years' operating assistance receivable (payable)	(37,271)
Adjustment to operating assistance payable	<u>1,482</u>
Net loss for the year	\$ (114,437)
Net Assets - Beginning of the Year	<u>720,514</u>
NET ASSETS - END OF THE YEAR	\$ <u>606,077</u>

The accompanying notes are an integral part of these financial statements.

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2005**

**Cash Flows from Operating Activities:**

Receipts from customers	\$ 189,971
Payments to suppliers of goods and services	(460,870)
Payments to contracted employees	<u>(15,975)</u>

Net cash used by operating activities	<u>\$ (286,874)</u>
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**Cash Flows from Noncapital Financing Activities:**

State and Federal operating assistance	<u>\$ 220,039</u>
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Net cash provided by noncapital financing activities	<u>\$ 220,039</u>
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**Cash Flows from Capital and Related Financing Activities:**

Purchase of fixed assets	\$ (10,151)
Contributed capital from State and Federal	<u>10,151</u>

Net cash provided by capital and related financing activities	<u>\$ -</u>
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**Cash Flows from Investing Activities:**

Interest	<u>\$ 7,456</u>
----------	-----------------

Net cash provided by investing activities	<u>\$ 7,456</u>
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Net increase (decrease) in cash	\$ (59,379)
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Cash and investments at beginning of year	<u>455,171</u>
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CASH AND INVESTMENTS AT END OF YEAR	<u>\$ 395,792</u>
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**Reconciliation of operating income to net cash provided by operating activities:**

Operating loss	\$ (353,565)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	76,863
(Increase) decrease in receivables-fares	(1,402)
(Increase) decrease in prepaid insurance	234
Increase (decrease) in accounts payable	<u>(9,004)</u>

NET CASH FLOWS FROM OPERATIONS	<u>\$ (286,874)</u>
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**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**September 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Cass County Transportation Authority is a public body organized as a legal entity pursuant to the "Public Transportation Authority Act" P.A. 196 of the Public Acts of 1986. The Authority was created to coordinate the transportation for human service agencies by Cass County. Services are provided for the County of Cass except for the area covered by the Dowagiac Dial-A-Ride. The Authority has the capability and the authority to provide public transportation to the general public in the area serviced.

**Basis of Presentation**

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units in the United States. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments within the United States. The Authority's reporting entity applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

In accordance with GAAP, the Authority's operations are accounted for as a Business Type Activity. In this regard, the Authority follows the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when they are earned and become measurable, and expenses are recorded when they are incurred, irrespective of when paid.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues are fares to passengers. Principle operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

**Accounting Pronouncements**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* (GASB 34). This statement established financial reporting standards for state and local governments including special purpose government such as the Authority. The GASB has followed up on such issues with other related pronouncements designed to clarify the intent of GASB 34.

GASB 34 and its related pronouncements and interpretation require, among other things, that the difference between assets and liabilities be reported as net assets, not equity; that a Management's Discussion and Analysis (MD&A) section precede the financial statements; and that capital assets be capitalized and depreciated over their estimated useful lives.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**September 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Fixed Assets and Depreciation**

Fixed assets are stated at cost or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building	10-20 years
Buses	5-10 years
Shop Equipment	5-10 years
Office Equipment	5-10 years

**Cash and Cash Equivalents**

For the purpose of the statements of cash flows, the Authority considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Operating Assistance Overpayments Payable**

Overpayments of \$31,190 and \$32,672 for the years ended September 30, 2005 and 2004 respectively were computed and restated as follows:

	<u>2005</u>	<u>2004</u>
Operating Expenses	\$ 546,835	\$ 603,147
Less:		
Depreciation - current fiscal year (except depreciation of assets purchased by the Authority of \$90)	(76,773)	(109,377)
Sale of fixed assets	-	(225)
Bus striping reimbursement	-	(366)
Ineligible portion of MPTA dues	(48)	(78)
Recall work on bus reimbursement	(1,797)	-
Seminars and other reimbursements	(710)	(1,255)
Eligible operating expenses subject to limitation	<u>\$ 467,507</u>	<u>\$ 491,846</u>
38.438% of eligible operating expenses (42.237% for 2004)	\$ 179,698	\$ 207,739
State revenues	<u>210,888</u>	<u>240,411</u>
Difference - state revenue exceeds 38.438%	\$ 31,190	\$ 32,672
Less: Payments made for current year	<u>-</u>	<u>-</u>
Current year's overpayment (underpayment) due to (from) state	<u>\$ 31,190</u>	<u>\$ 32,672</u>

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**September 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

	<u>2005</u>	<u>2004</u>
<b>Section 5311 Operating Assistance Receivable (Formerly Section 18)</b>		
Operating Expenses	\$ 546,835	\$ 603,147
Less:		
Depreciation - current fiscal year (except depreciation of assets purchased by the Authority of \$90)	(76,773)	(109,377)
Sale of fixed assets	-	(225)
Bus striping reimbursement	-	(366)
Audit expense	(3,400)	(3,200)
Ineligible portion of MPTA dues	(48)	(78)
Recall work on bus reimbursement	(1,797)	-
Other reimbursements	<u>(710)</u>	<u>(1,255)</u>
Net expenses	<u>\$ 464,107</u>	<u>\$ 488,646</u>
Reimbursable rate 12.4% x Net Expenses (10.95% for 2004)	\$ 57,549	\$ 53,507
Less progress payments	<u>41,529</u>	<u>49,849</u>
Difference - 12.4% exceeds Federal revenues (10.95% for 2004)	<u>\$ 16,020</u>	<u>\$ 3,658</u>

**NOTE 2 - CASH AND INVESTMENTS**

**Cash and Short-term Investments** - Investment policies for cash and short-term investments as set forth by the Michigan Compiled Laws section 129.91 authorizes the County to invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund.

**Long-term Investments** - The Authority's investment policy does not address investments other than the short-term investments stated above.

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**September 30, 2005**

**NOTE 2 - CASH AND INVESTMENTS - Continued**

**Interest Rate Risk** - The Authority minimizes interest rate risk by investing in short-term highly liquid investments.

As of September 30, 2005, the Authority had the following investments and maturities:

	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>One to Three Years</u>	<u>More Than Three Years</u>
Certificates of Deposit	\$ 307,596	\$ 307,596	\$ -	\$ -
Money Market	51,137	51,137	-	-
Total Investments	<u>\$ 358,733</u>	<u>\$ 358,733</u>	<u>\$ -</u>	<u>\$ -</u>

**Credit Risk** - Deposits are carried at cost. Deposits of the Authority are at various banks in the name of the Cass County Treasurer. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Michigan law allows public money to be deposited in financial institutions located in states other than Michigan, as long as the financial institutions have at least one branch in Michigan. The Authority's funds were deposited in three financial institutions that meet these requirements. At year-end the carrying amount of the Authority's deposits was \$395,792 and the respective bank balance totaled \$395,792. Of the total bank balance, the Federal Deposit Insurance Corporation (FDIC) covered \$0.

**Concentration of Credit Risk** - The Authority's policy states that with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio will be invested with a single financial institution.

**Custodial Credit Risk** - The Treasurer recommends financial institutions based on an evaluation of performance and solvency of the institution, as well as past performance and solvency of the institution. As of June 30, 2005, the Authority's funds were deposited in three institutions that meet this criteria.

**NOTE 3 - COST ALLOCATIONS**

The Transportation Authority has cost allocation plans for all allocated expenses. All allocation plans except for those described in the accompanying schedule of findings and questioned costs, if any, are approved by the Michigan Department of Transportation, Bureau of Urban and Public Transportation, Bus Transit Division. The plans have been adhered to in the preparation of the financial statements.

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**September 30, 2005**

**NOTE 4 - CHANGES IN FIXED ASSETS**

The following schedule represents the changes in fixed assets of the Cass County Transportation Authority for the year ended September 30, 2005:

	<u>as of</u> <u>September 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>as of</u> <u>September 30, 2005</u>
Assets not being depreciated:				
Land	\$ 7,524	\$ -	\$ -	\$ 7,524
Other Capital Assets:				
Building	\$ 357,303	\$ -	\$ -	\$ 357,303
Buses	800,554	-	-	800,554
Shop equipment	24,471	4,475	-	28,946
Office equipment	29,340	5,676	-	35,016
Total Other Capital Assets	\$ 1,211,668	\$ 10,151	\$ -	\$ 1,221,819
Total Capital Assets	\$ 1,219,192	\$ 10,151	\$ -	\$ 1,229,343
Accumulated depreciation	(899,539)	(76,863)	-	(976,402)
Net fixed assets	\$ 319,653	\$ (66,712)	\$ -	\$ 252,941

**NOTE 5 - RISK MANAGEMENT**

The Transportation Authority participates in a risk pool. The Transportation Authority is responsible for the first \$5,000 per claim and the risk pool will cover up to \$4,000,000 per claim. In the fiscal periods ending November 30, 2002, 2003 and 2004, the pool incurred over \$4.8 million, \$3.9 million and \$589,600 respectively in losses due to lawsuits. As a result of these losses, each member is required to pay a share of the total liability over the next two years to help replenish depleted reserves. The Transportation Authority is required to make the following estimated payments:

<u>Fiscal Year</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>Total</u>
September 30, 2006	\$ 13,130	\$ 11,996	\$ 17,625	\$ 42,751
September 30, 2007	13,130	11,996	-	25,126
	\$ 26,260	\$ 23,992	\$ 17,625	\$ 67,877

These amounts are only estimates. The actual outcomes of lawsuits still in process may cause these liabilities to be adjusted accordingly.



**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Schedule of Operating Expenses**

			<b>General and</b>	<b>Year Ended September 30,</b>	
	<b><u>Operations</u></b>	<b><u>Maintenance</u></b>	<b><u>Administrative</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Purchased transportation services	\$ 394,370	\$ -	\$ -	\$ 394,370	\$ 433,843
Repairs and maintenance	-	360	-	360	300
Services:					
Advertising and notices	76	-	-	76	45
Legal and audit	-	-	3,400	3,400	3,200
Coordinator	-	-	15,975	15,975	15,675
Office supplies and expense	-	-	16	16	21
Insurance	51,799	-	-	51,799	29,764
Other:					
Training	-	-	1,066	1,066	1,255
Other	-	-	965	965	2,362
Operating expenses ineligible for reimbursement	-	1,797	148	1,945	444
Depreciation	74,487	90	2,286	76,863	116,238
 TOTAL OPERATING EXPENSES	 <u>\$ 520,732</u>	 <u>\$ 2,247</u>	 <u>\$ 23,856</u>	 <u>\$ 546,835</u>	 <u>\$ 603,147</u>

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Net Eligible Costs Computations of General Operations**

	<u>Federal Section 5311</u>		<u>Local Operating Assistance</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Operating Expenses:				
Purchased transportation services	\$ 394,370	\$ 433,843	\$ 394,370	\$ 433,843
Repairs and maintenance	360	300	360	300
Services:				
Advertising and notices	76	45	76	45
Legal and audit	3,400	3,200	3,400	3,200
Coordinator	15,975	15,675	15,975	15,675
Office supplies and expense	16	21	16	21
Insurance	51,799	29,764	51,799	29,764
Other:				
Training	1,066	1,255	1,066	1,255
Other	965	2,362	965	2,362
Operating expenses ineligible for reimbursement	1,945	444	1,945	444
Depreciation	<u>76,863</u>	<u>116,238</u>	<u>76,863</u>	<u>116,238</u>
Total Operating Expenses	<u>\$ 546,835</u>	<u>\$ 603,147</u>	<u>\$ 546,835</u>	<u>\$ 603,147</u>
Less: Ineligible Expenses				
Depreciation - current fiscal year (except depreciation of assets purchased by the Authority of \$90)	\$ 76,773	\$ 109,377	\$ 76,773	\$ 109,377
Sale of fixed assets	-	225	-	225
Bus striping reimbursement	-	366	-	366
Audit expense	3,400	3,200	-	-
Seminars and other reimbursements	710	1,255	710	1,255
Recall work on bus reimbursement	1,797	-	1,797	-
Portion of association dues	<u>48</u>	<u>78</u>	<u>48</u>	<u>78</u>
Total Ineligible Expenses	<u>\$ 82,728</u>	<u>\$ 114,501</u>	<u>\$ 79,328</u>	<u>\$ 111,301</u>
Net Eligible Expenses	<u>\$ 464,107</u>	<u>\$ 488,646</u>	<u>\$ 467,507</u>	<u>\$ 491,846</u>
State Statutory Operating Assistance:				
38.437574823% of eligible operating expenses				
(42.236619648% for 2004)			<u>\$ 179,698</u>	<u>\$ 207,739</u>
Federal Section 5311:				
12.4% of eligible operating expenses				
(10.95% for 2004)	<u>\$ 57,549</u>	<u>\$ 53,507</u>		

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Schedule of Financial Assistance - Federal and State**

<u>Federal Grantor/ Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Grantor Number</u>	<u>Program or Award Amount</u>	<u>Federal Receipts/ Revenue</u>	<u>State Receipts/ Revenue</u>	<u>Disbursements/ Expenditures</u>	<u>Amount Remaining</u>
U.S. Department of Transportation Direct Assistance Capital Assistance (MI-18-X032)	20.500		\$ 8,120	\$ 8,120	\$ -	\$ 8,120	\$ -
Michigan Department of Transportation Capital Assistance	N/A	2002-0026	\$ 2,031	-	2,031	2,031	-
Total Capital Assistance				\$ 8,120	\$ 2,031	\$ 10,151	\$ -

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Schedule of Mileage Data (Unaudited)**

<u>Demand - Response</u>	<u>Public Transportation Mileage</u>	
	<u>Year Ended</u>	
	<u>September 30,</u>	
	<u>2005</u>	<u>2004</u>
First quarter ended December 31, 2004	74,829	81,963
Second quarter ended March 31, 2005	77,388	87,905
Third quarter ended June 30, 2005	70,612	90,281
Fourth quarter ended September 30, 2005	<u>60,003</u>	<u>79,237</u>
	<u>282,832</u>	<u>339,386</u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

November 30, 2005

Board of Directors  
Cass County Transportation Authority  
Cassopolis, Michigan 49031

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Dear Board Members:

We have audited the financial statements of the Cass County Transportation Authority, as of and for the year ended September 30, 2005, and have issued our report thereon dated November 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Cass County Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Cass County Transportation Authority, in a separate letter dated November 30, 2005.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cass County Transportation Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**Right. On time.**

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: [gerbel@parrett.net](mailto:gerbel@parrett.net) ■ WEB SITE: [www.gerbel.com](http://www.gerbel.com) 15

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS - Continued**

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Cass County Transportation Authority, in a separate letter dated November 30, 2005.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Heibel & Company, P.C.*

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

November 30, 2005

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DEPT. OF TREASURY

**DEC 27 2005**

**LOCAL AUDIT & FINANCE DIV.**

Members of the Transportation Authority Board  
Cass County Transportation Authority  
Cass County, Michigan

In connection with our examination of the books and records of Cass County Transportation Authority for the year ended September 30, 2005, we offer the following comments and recommendations.

## GENERAL

1. Supporting documentation was detailed and readily available for inspection.
2. The Authority's administration displayed a high level of dedication and cooperation in performing their duties and assisting us in completing ours.

We appreciate the courtesy and cooperation extended to us by Cass County Transportation Authority. If we can be of any assistance in implementing any of these suggestions, or if you have any questions regarding these or any other matters, please feel free to contact us.

Very truly yours,

*Gerbel & Company, P.C.*

GERBEL & COMPANY, P.C.  
Certified Public Accountants

**Right. On time.**

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